IN THE UNITED STATES DISTRICT COURT
FOR THE NORTHERN DISTRICT OF ILLINOIS
EASTERN DIVISION

TAPESWITCH CORPORATION OF AMERICA,
Plaintiff, v.
RECORA CO., INC., Defendant

No. 73 C 2567

MEMORANDUM OPINION AND ORDER

Dated: June 23, 1975

I.

Introduction

This matter arise as an action by Tapeswithc Corporation of America (Tapeswitch) for infringement of U. S. Letters Patent No. 2,938,977 (hereinafter referred to as the '977 patent), claims 1, 3 and 5. Defendant, Recora Co., Inc. (Recora) counterclaimed alleging invalidity, violation of the antitrust laws and patent misuse. The issues of validity and infringement are now before the Court; previously the antitrust and misuse claims along with all damage issues were

severed for separate trial. This Court has examined all of the testimony and exhibits presented, and being fully advised of the premises, find that the '977 patent is invalid because of obviousness and inequitable conduct before the Patent Office. The Court also believes that if the patent in suit were valid, several of the accused devices do not infringe under the doctrine of file wrapper estoppel.

II.

Validity

The products involved in this action are electric switch mats which are used to open doors or operate buglar alarms or other similar control devices. The mat is comprised of a number of ribbon switches connected in parallel and placed between upper and lower plastic covers. In several embodiments of the products the covers are sealed together

between the ribbon switches in order to keep the individual ribbons properly located. The mat assembly is designed so that it can be rolled up without damage. Each individual ribbon switch is comprised of a lower metal strip and an upper metal strip, the strips are insulated from each other along the edges. In operation, the switch mat is generally placed under a rug. When a weight is placed on the rug over the mat one or more of the upper metal strips is deformed so that an upper strip makes contract between the insulators with a lower strip completing the circuit, and thereby actuating any connected auxiliary device. In challenging the validity of the patent in suit Recora primarily relies on two patents, a British patent No. 402,446, issued to R. E. Ollerenshaw (hereinafter referred to as the Ollerenshaw patent or the '446 patent) and a prior patent issued to Robert Koenig (also the inventor here) as

U. S. Letters Patent 2,770,696 (the '606 patent). The Ollerenshaw patent, issued some 25 years prior to the patent in suit, reveals a device almost identical to the devices here. Ollenshaw states that the '446 patent can be used as a control circuit of an automatic burglar alarm. The Ollerenshaw patent also shows a mat switch with parallel contract elements secured in the mat by rows of stitching connecting the upper and lower covers. The edges of the contract strips are insulated from one another by a weib of adhesive tape similar to the construction shown in the patent in suit. The Ollerenshaw patent also reveals that the mat can be easily rolled up and unrolled without damaging the product.

Unlike the patent in suit, Ollerenshaw discloses a series of contact blisters made of spring metal on the bottom contact strip. These raised protrustions do not, however, materially differentiate Ollerenshaw from the '977 patent.

Ollerenshaw still operates by applying pressure on a top strip so that it can be deformed sufficiently to touch a bottom strip completing the electrical circuit. The contact blisters facilitate completion of the circuit in a fashion similar to the pressure actuating beads placed on the upper side of the top strip of several embodiments of the '977 patent. The blisters (which apparently do not flatten out in use because of their springy nature) and the pressure actuating beads increase the sensitivity of the device but are not essential elements.

The fact that the contact blisters are non-essential elements can be seen from the inventor Koenig's earlier ribbon switch patent, the '696 patent. The '696 patent discloses two types of ribbon switches. In type I the lower contact strip is segmented to make manipulation of the product less difficult; however, in type II, used for shorter switches,

the lower strip does not require segmentation. Type II is particularly relevant to the instant facts. Type II of the '696 patent has neither contact blisters nor pressure actuating beads but generally in all other material aspects operates the same as Ollerenshaw and the patents in suit. This demonstrates that the blisters, although improving performance, are not essential for operation of the device and do not significantly distinguish Ollerenshaw from the patent in suit or type II of the '696 patent.

Plaintiff also attempts to distinguish the patent in suit from Ollerenshaw by describing the topology of complex curvature and how it affects operation of the two devices. Nothing in the disclosure accompaning the '977 patent explains this feature of the switch mat nor has the Court been persuaded that one skilled in the art of switch manufacture would comprehend

this element of the device without disclosure. If differences in this element of the patent are essential, the complete disclosure requirement of 35 U.S.C. 112 has been violated, invalidating the patent. If this element is not essential, it is insufficiently relevant to make the '977 patent non-obvious in light of Ollerenshaw and the '696 patent. The Court therefore completely discounts the testimony attempting to explain differences with respect to complex curvature.

Under 35 U.S.C. 103 an invention is unpatentable if at the time of the development the invention was obvious to one skilled in the art. To measure obviousness, Graham v. John Deer, 383 U.S. 1 (1966) instructs:

> "the scope and content of the prior art are to be determined, differences between the prior art and the claims at issue are to be ascertained; and the level of ordinary skill in the pertinent art resolved." 383 U.S. at 17.

Additionally,

> "[s]uch secondary considerations as commercial success, long-felt but unsolved needs, failures of others, etc. might be utilized to give light to the circumstances surrounding the origin of the subject matter sought to be resolved." Id.

Under this test a patent is presumed valid and the defendant has the burden of proving obviousness. The presumption of validity is reduced if significant prior art was not brought to the attention of the Patent Office. See, e.g., CMI v. Lakeland, 184 U.S.P.Q. 721 (N.D.Ill. 1975). In determining obviousness, prior paper patents should be given little weight. Dart Inds. v. E.I. DuPont, 348 F.Supp. 1338 (N.D.Ill. 1972), rev'd on other grounds, 489 F.2d 1359 (7th Cir. 1973). Paper patents, however, must be considered as effective invalidating prior art if the differences between them and the patent in suit are insubstantial.

In the instant case the presumption of validity is greatly impaired. The Ollerenshaw reference, although cited to the Patent Office

in prosecution of the '696, was not of record in the file wrapper for the patent in suit. The internal organization of the Patent Office, the volume of applications to be processed, and the ex parte nature of the proceedings make it necessary, even in related patent application cases, for the applicant to make complete disclosure in each application to obtain the presumption of validity. Application for the '696 patent took place in January 1954; application for the patent in suit occurred in September 1958. Expert testimony demonstrates that this four year gap and the above stated factors make it unreasonable to entertain the argument that the '696 disclosure (including disclosure in the reissue action) carried over to the application for the patent in suit.

Plaintiff has only shown that minor design improvements are included in the '977 patent when compared with Ollerenshaw and the '696 patent.

These changes are not patentable but related to the use of improved materials such as bonded plastic covers. The plaintiff's product which encompasses the '977 patent apparently has had some commercial success, but absent a stronger showing of invention or a long-felt unfulfilled need in the industry this success can only be subscribed to marketing acumen. Therefore there is no strong secondary evidence of patentability. Thus taking the record as a whole under 35 U.S.C. §103, the '977 patent is invalid for obviousness.

The Court also believes that in prosecuting the application for the patent in suit plaintiff did not fulfill its affirmative duty to disclose relevant prior art. This failure also invalidates the patent in suit. To prove fraud on the Patent Office, Recora must establish by clear and convincing evidence that Tapeswitch knowingly and wilfully concealed information from the Patent Office, that the information was not known to the

examiner and that information was material. Carter-Wallace v. David-Edwards Corp., 443 F.2d 867 (2d Cir. 1971).

As noted above, plaintiff did not disclose Ollerenshaw to the Patent Office during prosecution of the '977 patent and disclosure during the '696 proceedings does not carry over to the present case. It is clear that the examiner never independently found Ollerenshaw during the '977 proceedings. Obviously, Ollerenshaw was relevant, material prior art. In failing to disclose the British patent, plaintiff breached its duty of frank and truthful disclosure to the Patent Office. See, e.g., Precision Instrument Mfg. Co. v. Automotive Maintenance Mach. Co., 324 U.S. 818 (1945); Beckman Instr. v. Chemtronics, Inc., 428 F.2d 555 (5th Cir. 1970), cert. denied, 400 U.S. 956. While fraud on the Patent Office is a charge which should not be lightly made, in the instant case the patent not disclosed comprised the most important prior art. Plaintiff was well

aware of the importance of the reference in prosecution of the '696 patent. Thus the failure to disclose presents clear and convincing evidence of invalidating, inequitable conduct because here there is sufficient evidence of the patentee's lack of a good faith belief that the art was not material. Cf. Scott Paper Co. v. Fort Howard Paper Co., 432 F.2d 1198 (7th Cir. 1970). This being the case, fraud upon the Patent Office has been established.

III.

Infringement

Assuming arguendo that the plaintiff's '977 patent were valid, the Court believes that only one type of defendant's product, as exemplified by plaintiff's exhibit 3, infringes the '977 patent. Under the doctrine of file wrapper estoppel, the changes adopted by defendant in the products represented by plaintiff's exhibits 4, 5, and 6, defeat infringement.

The file wrapper history of the patent in suit reveals that after initial rejection of patentability by the Patent Office, plaintiff presented new claims with certain limitations relating to axial displacement of the strips relative to each other and the connection of the upper and lower length of insulating material at all points between the contact strips. These additional limitations were directly responsive to specific objections made by the patent examiner.

This factual situation prevents plaintiff from using the doctrine of equivalents to broaden the specific language of the claims to cover plaintiff's exhibits 4, 5 and 6. As the Seventh Circuit stated in Ellipse Corp. v. Ford Motor Co., 452 F.2d 163, 168 (7th Cir. 1971):

> "The doctrine of file wrapper estoppel is that an applicant who acquiesces in rejection of his patent claim and accordingly modifies it to secure its allowance, will not subsequently be allowed to expand (or narrow) his claim by interpretation to include limitations given up, or their equivalents."

Since plaintiff took a position in the Patent Office inconsistent with the position now stated, it cannot be allowed to capture that which it previously disclaimed. Therefore since Recora's products exemplified plaintiff's exhibits 4, 5 and 6 do not use axial displacement of the contact strips or connection "at all points," they do not infringe.

IV.

Conclusion

In sum, the Court finds that the patent in suit is invalid under 35 U.S.C. §103 as an obvious development from the prior art. The patent also is invalid because plaintiff was guilty of failing to disclose known, highly relevant prior art to the Patent Office. The Court also holds that, even assuming validity, defendant's products as represented by plaintiff's exhibits 4, 5 and 6 do not infringe.

For the reasons stated, the complaint will

be dismissed and judgment will be entered for defendant.

IT IS SO ORDERED.

ENTERED:

R. W. MCLAREN
United States District Judge

IN THE UNITED STATES COURT OF APPEALS
FOR THE SEVENTH CIRCUIT

TAPESWITCH CORPORATION OF AMERICA,
Plaintiff, v.
RECORA CO., INC., Defendant

No. 75-1696

ORDER

Dated: February 26, 1976

O R D E R

In this patent infringement suit, the district court found that the patent in suit was invalid (1) under 35 U.S.C. §103 as an obvious development from the prior art and (2) because the plaintiff was guilty of failing to disclose known, highly relevant prior art to the Patent Office.

The court also held that assuming arguendo that the patent in suit was valid, defendant's products as represented by plaintiff's exhibits 4, 5 and 6 did not infringe under the doctrine of file wrapper estoppel. For those reasons, the district court dismissed the complaint and entered judgment for the defendant.

We affirm for the reasons expressed by the district court in its memorandum opinion and order, which we attach hereto and adopt as our own.

Judgment affirmed.

JOHN S. HASTINGS

ROBERT A SPRECHER

PHILIP W. TONE

Circuit Judges

IN THE UNITED STATES COURT OF APPEALS
FOR THE SEVENTH CIRCUIT

TAPESWITCH CORPORATION OF AMERICA,
Plaintiff, v.
RECORA CO., INC., Defendant

No. 77-2079

Dated: January 12, 1979

This cause came on to be heard on the transcript of the record from the United States District Court for the Northern District of Illinois, Eastern Division, and was argued by counsel.

On consideration whereof, it is ordered and adjudged by this court that the judgment of the said District Court in this cause appealed from be, and the same is hereby, REVERSED with respect to the claim under Section 2 of the Sherman Act, and the case is REMANDED for appropriate further proceedings with respect to that claim only; in all other respects, the judgment is AFFIRMED; in accordance with the order of this court entered this date. No costs on appeal are to be allowed to either party.

ORDER

O R D E R

This matter is before the Court on defendant's appeal from a summary judgment issued in favor of

the plaintiff on the defendant's counterclaim, and defendant's appeal from the trial court's denial of defendant's Rule 60(b) motion for costs and attorney's fees.

This case originated as a patent infringement suit brought by the plaintiff-appellee, Tapeswitch Corporation of America (hereinafter Tapeswitch), against defendant-appellant, Recora Co., Inc. (hereinafter Recora). The U. S. Patent #2,938,977 which had allegedly been infringed involved electric switching floor mats. Recora filed a counterclaim. In Count I, Recora alleged that U. S. Patent #2,938,977 was not infringed by its devices, and that said Patent was invalid. Recora sought a declaratory judgment, declaring said Patent not infringed and invalid. In Count II of its counterclaim Recora alleged patent misuse and violations of the antitrust laws on the part of Tapeswitch. As relief, Recora prayed for damages, treble damages, and an injunction against further violations of the antitrust laws. The late Judge McLaren severed

the patent and antitrust claims. The patent infringement claim was adjudicated in favor of Recora before Judge McLaren, and his decision was affirmed by this Court on February 19, 1976.

The defendant Recora's counterclaim was assigned to Judge Decker. Following the completion of discovery, plaintiff Tapeswitch moved for summary judgment on defendant's counterclaim. The motion was sustained by Judge Decker on June 28, 1977.

On July 27, 1977, Recora filed a motion under Rule 60(b) of the Federal Rules of Civil Procedure (hereinafter Rule 60) for reconsideration of the summary judgment and a motion under Rule 60 for award of reasonable attorney's fees and assessment of costs, limited to the severed and previously decided patent part of the original case.

On November 7, 1977, Judge Decker denied the Rule 60 motions to reconsider summary judgment and to assess costs and attorney's fees. This appeal followed.

Rule 56(c) of the Federal Rules of Civil Procedure provides that summary judgment shall be granted where the record discloses that there exists "no genuine issue as to any material fact and that the moving party is entitled to judgment as a matter of law." In reviewing the propriety of a summary judgment it is our responsibility to "determine whether there is any genuine issue of material fact underlying the adjudication, and, if not, whether the substantive law was correctly applied." Vickery v. Fisher Governor Co., 417 F. 2d 466, 468 (9th Cir. 1969); 6 Moore, Federal Practice ¶56.27 [1] at 2973 (footnote omitted). The party moving for summary judgment bears the burden of demonstrating the absence of a genuine issue as to any material fact. Adickes v. S. H. Kress & Co., 398 U. S. 144, 157 (1970). And, for the purpose of determining whether any material fact remains disputed, "the inferences to be drawn from the underlying facts must be viewed in the light most favorable to the party opposing the

motion." United States v. Diebold, Inc., 369 U. S. 654, 655 (1962). Thus, in the context of the present case, our first task is to determine whether on the facts in the record any issues of material fact exist with regard to appellant-Recora's counterclaim. If no questions of material fact exist, then this Court must determine whether Tapeswitch is entitled to judgment on appellant-Recora's counterclaim as a matter of law.

Allegations of patent misuse formed the basis for appellant's charges in its counterclaim of antitrust violations on the part of appellee. In support of its motion for summary judgment appellee argued that its fraud on the Patent Office in failing to disclose prior relevant art was not of a type sufficient to activate the antitrust laws. It was the contention of appellee that a lesser level of fraud (i.e. "technical fraud" or an honest mistake) suffices to invalidate a patent than which is required to serve as the basis for

an antitrust claim (i.e. "actual fraud" or a knowing and wilful misrepresentation). The legal basis for appellee's argument was the case of Walker Process Equipment, Inc. v. Food Machinery and Chemical Corp., 382 U. S. 172, 174 (1965), in which the court held that "the enforcement of a patent procured by fraud on the Patent Office may be violative of §2 of the Sherman Act provided the other elements necessary to a §2 case are present." It was further stated by the Court that while a knowing and wilful misrepresentation would constitute an antitrust violation, "technical fraud" would not.

In the present case the trial court looked to the opinion of Judge McLaren for guidance with regard to the type of fraud committed by appellee. The trial court focused upon the following language from Judge McLaren's opinion:

> "Plaintiff was well aware of the importance of the reference in prosecution of the '696 patent. Thus the failure to disclose presents clear and convincing evidence of invalidating, inequitable conduct because

there is sufficient evidence of the patentee's lack of good faith belief that the art was not material."

Because of the findings of Judge McLaren, which were controlling with regard to the fraud question, the trial court found that the patent misuse alleged by appellant was sufficient to activate the antitrust laws. With this determination we agree.

Appellant-Recora grounded Count II of its counterclaim upon two separate violations of the Sherman Act. Recora alleged that there was a combination and conspiracy between Tapeswitch and its president, Robert H. Koenig, in violation of §1 of the Sherman Act. They further alleged a violation of §2 of the Sherman Act based upon monopolization and an attempt to monopolize on the part of Tapeswitch. We will deal with each alleged violation of the Sherman Act separately, beginning with the alleged Section 1 infraction.

Recora asserted the existence of a combination and conspiracy between Tapeswitch and its

president, Robert H. Koenig. It is well settled in the area of antitrust law that a corporation cannot conspire with its agent, with one limited exception, Nelson Radio & Supply Co. v. Motorola, 200 F. 2d 911, 914 (5th Cir. 1952), cert. den. 345 U. S. 925 (1953), that exception being where the agent has an independent, personal stake in achieving the corporation's illegal motive. Greenville Publishing Co. v. The Daily Reflector, Inc., 496 F. 2d 391 (4th Cir. 1974).

In the Greenville Publishing Co. case, supra, both plaintiff and defendant corporations were engaged in the business of publishing free "weekly" tabloids. The plaintiff alleged that the president of the Daily Reflector, Inc., was a party to a combination and conspiracy with the corporate defendant. The deposition of the president of the Daily Reflector, Inc., established his own personal affiliation with a "second" newspaper, such that he received $5.00 for each page it printed and a

percentage of advertising revenues. The court reasoned that since this "second" newspaper and the plaintiff were both competing to sell advertising space in the City of Greenville, it would be reasonable to infer that the president of the Daily Reflector would benefit personally from the elimination of the plaintiff from competition. In other words, the president of the Daily Reflector, Inc., had a personal interest in the illegal objective, totally apart from his remuneration as president of the paper, and thus it would be possible for him to enter into a combination and conspiracy with the Daily Reflector, Inc.

Appellant contends that the present factual pattern comes within the "exception" to the general rule, as stated by the court in Greenville Publishing Co., supra. It asserts two grounds for the application of the "exception" to this case. First, appellant points to the fact that the officer of Tapeswitch applied for the patent in question in his own name and later assigned ownership to

Tapeswitch. The second basis is certain testimony given by the officer, Robert Koenig, where he stated, "I have a direct interest in the performance of the company and in the protection of this patent." Appellant argues that these two pieces of evidence establish Robert Koenig's personal interest in restraining trade so as to bring the case within the "exception" defined by the Court in Greenville Publishing Co., supra.

This Court does not believe that the grounds asserted by the appellant are sufficient to invoke the "exception" mandated by Greenville Publishing Co., supra. First of all, the fact that Robert Koenig applied for the patent in his own name does not necessarily indicate a "personal interest" for the reason that his applying in his own name is required by 35 USC 111. Secondly, the statement of Robert Koenig is nothing more than an expression of the fiduciary duty which is owed by a corporate officer to any corporation which possesses a patent.

The facts asserted by appellant contain no evidence whatsoever of a personal benefit or interest being received by Robert Koenig which is independent of his duties as a corporate officer. For these reasons, the "exception" noted in Greenville Publishing Co., supra, is not applicable to the present case. Consequently, the general rule that a corporation cannot combine or conspire with its agents is applicable. Nelson Radio & Supply Co. v. Motorola, supra. Under these circumstances summary judgment is proper with respect to appellant's claim for recovery under Section 1 of the Sherman Act. New Amsterdam Cheese Corp. v. Kraftco Corp., 363 F. Supp. 135 (S.D. N.Y. 1973).

Turning to the second half of defendant-appellant's counterclaim, it alleges monopolization and an attempt to monopolize in violation of Section 2 of the Sherman Act (15 USC §2). As stated previously, in the case of Walker Process Equipment, Inc. v. Food Machinery & Chemical Corp., supra, the Supreme Court held that the enforcement

of a patent procured by fraud on the Patent Office may be violative of Section 2 of the Sherman Act (15 USC §2) provided the other elements necessary to a Section 2 case are present.

It is well settled that a definition of the relevant market is an essential element to the establishment of a cause of action under Section 2 of the Sherman Act. In the case of United States v. Grinnell Corp., et al., 384 U. S. 563, 570, 571 (1966), the Ccurt identified two elements as being necessary to sustain a charge of monopolization under Section 2: "(1) The possession of monopoly power in the relevant market and (2) the wilful acquisition or maintenance of that power as distinguished from growth or development as a consequence of a superior product, business acumen, or historic accident." Implicit within the first element is the necessity of defining the relevant market from which a determination of monopoly power may be made. A definition of the relevant market is also indispensible to an "attempt to

monopolize" claim under Section 2. In Tire Sales Corp. v. Cities Service Oil Co., 410 F. Supp. 1222, 1231 (N. D. Ill. 1976), the Court stated:

> "It is well settled in this Circuit and others that the definition of the relevant market is an essential element of an action alleging attempt to monopolize."

Thus, with respect to the second half of appellant's counterclaim alleging a violation of Section 2 of the Sherman Act (15 USC §2), a definition of the relevant market is essential.

For purposes of defining the relevant market, there are two components which must be considered, namely, (1) the geographical territory included in the market, and (2) the products which make up the market. In the present case the geographic element of the relevant market is not in issue. Rather, this case focuses upon the product aspect of the relevant market and attempting to determine what products comprise the relevant market. In the case of United States v. E. I. DuPont de Nemours & Co., 351 U. S. 377, 395 (1956), the Supreme Court

outlined the following test:

> "In considering what is the relevant market for determining the control of price and competition, no more definite rule can be declared than that commodities reasonably interchangeable by consumers for the same purposes make up that 'part of the trade or commerce,' monopolization of which may be illegal."

Tapeswitch's position is that the relevant market includes both mats or matting switches and electronic devices, and, alternatively, that even if the relevant market is only the former its share is insufficient to support a Section 2 charge.

The district court held that the relevant market included both mats or matting switches and electronic devices. While the district judge did not abuse his discretion in refusing to consider material submitted after he had ruled on the motion for summary judgment, at the time he ruled there was before him the Luckey affidavit, which included the following statement:

> "Also, electronic devices require tuning and regular replacement of electronic components and parts. On a per switch basis, such electronic devices usually cost ten to twenty

> times the cost of a mat or matting switch; for example, in a 20' x 20' room with one door and two windows, the cost of arming the intrusion areas with matting switches will be about $6-$8, but electronic equipment will cost $40-$700. Electronic devices provide space protection, but mat switches provide intrusion detection at specific locations or zones only."

If these assertions are true, electronic devices are not reasonably interchangeable with mat or matting switches and should not be included as part of the same market. Interchangeability, or cross-elasticity of demand, depends to some extent upon the prices of the products in question. United States v. E. I. DuPont de Nemours & Co., 351 U.S. 377, 400-401, 404 (1956).

With respect to the definition of the market for light duty pressure activated mat and matting switches, which is what Recora claims the market to be, the papers timely filed in support of and in opposition to the motion for summary judgment are inconclusive. But if Recora's showing is unimpressive, the same is true of Tapeswitch's, which, as noted above, had the burden of demon-

strating that there is no genuine issue of material fact. Tapeswitch asserts that Matheny testified in his deposition that the market for undercarpet mat switches of the type Recora makes was $4,000,000 at the time of the deposition, while Tapeswitch's sales of all undercarpet mat switches, as of 1977, had never exceeded $500,000. Because the depositions themselves are not in the record before us and the excerpts from them in Tapeswitch's appendix are undated, the period to which the $4,000,000 estimate applied cannot be determined; nor can it be determined what the total market was at the time the attempt to monopolize was alleged to have taken place. It is also unclear whether Matheny's estimate included mats as well as switches. Tapeswitch may have been able to make a statistical showing that would negative any Section 2 violation, but we cannot find in the record before us that it has done so.

Accordingly, we reverse the judgment with respect to the Section 2 claim only. We deny,

however, Recora's request that the case be assigned to another judge on remand.

Turning to the appellant's Rule 60 post judgment motions, there were two: (1) A motion to reconsider the summary judgment, and (2) a motion for an award of costs, including attorney's fees. It is unnecessary to consider the first, since Recora's complaint here concerns the district court's failure to consider affidavits bearing on the relevant market, and we have reversed with respect to the Section 2 issue.

With respect to appellant's second post judgment motion, a review of some of the procedural facts of the case would seem in order. In a decision dated January 31, 1975, Judge McLaren severed the patent complaint from the antitrust counter-complaint. On June 23, 1975, Judge McLaren entered judgment for appellant on the appellee's patent complaint, and on February 26, 1976, that judgment was affirmed by this Court. Finally, on July 27, 1977, appellant filed a motion under

Rule 60 seeking an award of costs, including reasonable attorney's fees, limited to the patent part of the original action.

35 USC 285 provides: "The Court in exceptional cases may award reasonable attorney fees to the prevailing party."

In the case of Laufenberg Inc. v. Goldblatt Bros., Inc., 187 F. 2d 823, 825 (7th Cir. 1951), this Court interpreted 35 USC 28 to mean the following:

> "* * * if an award of attorney's fees is to be made by the trial court, the judge should do so either at the time of entry of judgment or specifically reserve jurisdiction in such judgment to do so at some reasonable date after the time for appeal has expired, if in fact no appeal is taken or, in case of appeal, at such reasonable time after all such appellate action has terminated and the mandate filed in the trial court."

In the opinion of Judge McLaren, resolving the patent part of the action, the Court made no award of attorney's fees. Furthermore, we find no evidence of the trial court expressly reserving jurisdiction in such judgment for a later time.

In summary, the McLaren opinion makes no mention of attorney's fees whatsoever. For these reasons we do not view 35 USC 285 as being applicable to this case.

The appellant brings this motion to assess costs and reasonable attorney's fees under Rule 60 at a time over two years after judgment was entered by the trial court on the patent complaint. Rule 60(b) provides in part:

> "On motion and upon such terms as are just the Court may relieve a party or his legal representative from a final judgment, order, or proceeding for the following reasons: (1) mistake, inadvertence, surprise, or excusable neglect; * * * The motion shall be made within a reasonable time, and for reasons (1), (2), and (3) not more than one year after the judgment, order, or proceeding was entered or taken."

Rule 6(b) precludes the Court from extending the one year time limit, and thus all motions under reason (1) of Rule 60(b) must be filed within a one year period from the date of the final judgment. Appellant's motion under Rule 60 was filed over one year from the date of this Court's affirmance

of the trial court. Consequently, appellant's motion under Rule 60 to assess costs and reasonable attorney's fees attributable to the original patent complaint was untimely, and thus improper.

The judgment of the district court is reversed solely with respect to the claim under Section 2 of the Sherman Act, and the case is remanded for appropriate further proceedings with respect to that claim only. In all other respects the judgment is affirmed.

THOMAS E. FAIRCHILD

PHILIP W. TONE

ROY W. HARPER*

Circuit Judges

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* Senior District Judge Roy W. Harper of the Eastern and Western Districts of Missouri sitting by designation.

IN THE UNITED STATES DISTRICT COURT
FOR THE NORTHERN DISTRICT OF ILLINOIS
EASTERN DIVISION

TAPESWITCH CORPORATION OF AMERICA,
Plaintiff, v.
RECORA CO., INC., Defendant

No. 73 C 2567

MINUTE ORDER

Dated: April 28, 1981

Plaintiff-counter-defendant Tapeswitch Corporation's motion to strike the counterclaim and dismiss the action for failure to comply with discovery and this Court's order is granted.

MINUTE ORDER

Dated: April 29, 1981

Order dated April 28, 1981 is amended to add "Cause dismissed. Pretrial conference set for April 29, 1981 at 9:45 a.m. is stricken." all other aspect of the order to stand.

JAMES B. MORAN

Presiding Judge

MINUTE ORDER

Dated: June 9, 1981

Enter Memorandum and Order. (DRAFT) Defendant and counter-plaintiff Recora Co. moves to vacate the April 28, 1981 order of this court dismissing its counterclaim against Tapeswitch Corporation of America. The motion is denied. (See DRAFT for particulars)

MEMORANDUM AND ORDER

Dated: June 9, 1981

Defendant and counter-plaintiff Recora Co. ("Recora") moves to vacate the April 28, 1981 order of this court dismissing its counterclaim against Tapeswitch Corporation of America ("Tapeswitch"). The motion is denied.

On January 12, 1979, the Court of Appeals reversed, as to one antitrust claim, the summary judgment granted Tapeswitch on Recora's counterclaim and affirmed as to others. No. 77-2079. Since Tapeswitch's patent infringement claim had

been determined adversely to it in 1975 and that decision was affirmed in 1976, only the one anti-trust counterclaim was pending in this 1973 case after the January 12, 1979 decision.

In September, 1980, Tapeswitch filed its first motion to strike the counterclaim. That motion was occasioned by a discovery dispute, Recora's president was directed to appear for a resumed deposition, and the motion was denied. In December, 1980, the parties were directed to close discovery by February 12, 1981 and to file a final pretrial order by February 26, 1981.

On February 26, 1981, Tapeswitch filed its second motion to strike the counterclaim because Recora's president had not been made available for a deposition. Recora had not, as well, tendered a draft pretrial order to Tapeswitch. This court continued that motion, with the explicit admonition to Recora's counsel that sanctions would be imposed if he did not comply with the court's order. This court directed Recora to tender to Tapeswitch

a proposed pretrial order on or before March 13, 1981 and ordered the final pretrial order to be filed by March 25, 1981. On March 10, 1981 this court set a final pretrial conference for March 25 and set a firm trial date of April 6, 1981.

Recora did not tender a proposed pretrial order on March 13 (and did so only after the counterclaim had been dismissed) and did not file a final pretrial order. Tapeswitch filed its third motion to strike the counterclaim. This court, recognizing that compelling Recora to comply prior to the April 6 trial date might well prejudice Tapeswitch in its preparation for trial and would require cancellation of long-established personal plans, reluctantly cancelled the trial date. I took the motion under advisement, directed Recora to tender the draft pretrial order by April 20 and to comply with outstanding discovery by that date, and set a pretrial conference for April 29, 1981. Recora's counsel was expressly and explicitly advised that there would be no further extensions

and that failure to comply would result in dismissal. The representation of Recora's counsel that he was unaware that he was required to tender a draft pretrial order by April 20 on pain of dismissal is, bluntly, a falsehood.

Recora's counsel was advised in March that the counterclaim would be dismissed if Recora failed to comply with the April 20 deadline. On April 28 Tapeswitch had only to bring to the attention of the court that no draft pretrial order had been tendered. The court has since again reviewed the matter. Recora persistently failed to comply with direct court orders intended to give Recora its day in court, and it is not entitled to revive the matter now. The motion to vacate is denied.

JAMES B. MORAN
Judge, United States District Court

IN THE UNITED STATES COURT OF APPEALS
FOR THE SEVENTH CIRCUIT

TAPESWITCH CORPORATION OF AMERICA,
Plaintiff, v.
RECORA CO., INC., Defendant

No. 81-2020

ORDER

Dated: May 24, 1982

ORDER

This is an appeal from the dismissal of Recora's counterclaim against Tapeswitch for failure to comply with orders of the district court. Tapeswitch had sued Recora in 1973 for infringement of its patent, and Recora counterclaimed alleging violations of the antitrust laws. Tapeswitch lost its infringement suit after a trial in 1975, and only one of Recora's antitrust counterclaims survived summary judgment in 1979. The facts leading up to the district court's dismissal of the one outstanding counterclaim are set out in its order denying Recora's motion to vacate the dismissal, which follows in pertinent part:

In September, 1980, Tapeswitch filed its first motion to strike the counterclaim. That motion was occasioned by a discovery dispute, Recora's president was directed to appear for a resumed deposition, and the motion was denied. In December, 1980, the parties were directed to close discovery by February 12, 1981 and to file a final pretrial order by February 26, 1981.

On February 26, 1981, Tapeswitch filed its second motion to strike the counterclaim because Recora's president had not been made available for a deposition. Recora had not, as well, tendered a draft pretrial order to Tapeswitch. This court continued that motion, with the explicit admonition to Recora's counsel that sanctions would be imposed if he did not comply with the court's order. This court directed Recora to tender to Tapeswitch a proposed pretrial order on or before March 13, 1981 and ordered the final pretrial order to be filed by March 25, 1981. On March 10, 1981 this court set a final pretrial conference for March 25 and set a firm trial date of April 6, 1981.

Recora did not tender a proposed pretrial order on March 13 (and did so only after the counterclaim had been dismissed) and did not file a final pretrial order. Tapeswitch filed its third motion to strike the counterclaim. This court, recognizing that compelling Recora to comply prior to the April 6 trial date might well prejudice Tapeswitch in its preparation for trial and would require cancellation of long-established personal plans, reluctantly cancelled the trial date. I took the motion under advisement, directed Recora to tender the draft pretrial order by April 20 and to comply with outstanding discovery by

> that date, and set a pretrial conference for April 29, 1981. Recora's counsel was expressly and explicitly advised that there would be no further extensions and that failure to comply would result in dismissal. The representation of Recora's counsel that he was unaware that he was required to tender a draft pretrial order by April 20 on pain of dismissal is, bluntly, a falsehood.
>
> Recora's counsel was advised in March that the counterclaim would be dismissed if Recora failed to comply with the April 20 deadline. On April 28 Tapeswitch had only to bring to the attention of the court that no draft pretrial order had been tendered. The court has since again reviewed the matter. Recora persistently failed to comply with direct court orders intended to give Recora its day in court, and it is not entitled to revive the matter now. The motion to vacate is denied.

Recora makes quite a number of arguments on appeal in an attempt to excuse its noncompliance with the district court's orders regarding preparation of a draft pre-trial order and discovery of Recora's president. First, Recora claims that it was never informed that a draft pre-trial order was due on April 20, 1981. Counsel for Recora, Ambrose and Cushing, have both filed affidavits that state that Judge Moran did not inform the parties when a pre-trial order would be due,

contrary to Judge Moran's statement that he informed the parties at the March 25, 1981 pre-trial conference that the draft order would be due on April 20. The Cushing affidavit has been stricken from our record because it was not part of the material before the district court. The Ambrose affidavit was considered by Judge Moran and rejected as "a falsehood." At oral argument, Ambrose argued that the district court was at fault for not having a court reporter present at the pre-trial conference as purportedly required by 28 U.S.C. § 753(b). But even were there a violation of this section, the remedy would not be to presume the district court's memory in error. Counsel for Tapeswitch also remembered the district court's order and admonition and made them the basis for his fourth motion to strike the counterclaim. Supp. App. 83. In addition to instructing Recora's counsel verbally at the March 25 pre-trial conference, the district court issued a written order on

the same date, which stated: "Pretrial conference held. Counter-plaintiff is directed to serve draft of final pre-trial order upon counter-defendant on or before April 20, 1981 and to comply with outstanding discovery prior to that date." Supp. App. 82(a). Recora nevertheless asserts that it did not receive the written order "because [Ambrose's] name and address was not entered on the District Court Docket * * * even though his appearance was filed September 4, 1980." Brief at 9. At oral argument, Ambrose stated that another Recora attorney, Martin Faier, would have received the written order but was out of town.

Second, Ambrose's father died on April 21, 1981, and the district court had earlier granted continuances to Tapeswitch when the wife of Tapeswitch's president died. However, Ambrose never requested a continuance or informed the court that he would be unable to comply with its orders.

Third, James Valliere, local counsel for Tapeswitch, was out of town for two weeks prior to

April 20, 1981. This is hardly relevant to the district court's order requiring Recora to produce the draft pre-trial order, which should have been produced prior to March 13 anyway. Valliere also allegedly failed to appear for several Local Rule 12(d) conferences, failed to return Ambrose's telephone calls, and once kept Ambrose waiting in his office for 45-50 minutes.

Fourth, Recora in fact prepared a draft pre-trial order and delivered it to Tapeswitch on May 13, 1981 -- only two months after it was originally due and only 23 days beyond the last date the district court said it would wait before dismissing the action. Moreover, according to Recora, Tapeswitch has not been prejudiced by the delay.

Fifth, Recora argues that under Federal Rule of Civil Procedure 16, the district court rather than the parties has the obligation of preparing the pre-trial order. In its Handbook for Effective Pretrial Procedure at 271-272 (1964), however, the

Judicial Conference of the United States recommends directing one party to prepare a "proposed pre-trial order" for submission to the court and the opposing party as one method of complying with Rule 16. See also 3 Moore's Federal Practice ¶ 16.18 (1982).

Sixth, Recora claims that the extra deposition of its president ordered by the district court was unnecessary because he had already been thoroughly deposed twice before. Moreover, Recora allegedly was misled by Tapeswitch regarding what documents were to be produced at the deposition. Recora also claims that the district court's order dated December 11, 1980 directing the parties to close discovery by February 12, 1981 and the district court's warnings to Recora on February 26 and March 25 that it would impose sanctions if its orders were not complied with do not constitute an "order" that may be enforced with sanctions. And in any event, Recora states, sanctions cannot be imposed regarding nondiscovery of its president

because Recora made a good faith attempt to permit discovery.

Seventh, since lesser sanctions were available, Recora states, the district court should not have dismissed the counterclaim "[w]here at best the fault lies with a party's counsel, and not with the party * * *." Brief at 23. We agree that it is unfortunate that Recora should suffer from its lawyers' negligence.

Eighth, Recora asserts that notice of the April 28, 1981 hearing (at which the district court dismissed the counterclaim) was not given to counsel for Recora until after 4 p.m. on April 27, in violation of Federal Rule of Civil Procedure 6(d) and Local Rule 12(a). Recora nevertheless appeared at the hearing and failed to raise this alleged defect in notice to the district court.

Finally, Recora argues that this case has been litigated for too long to be dismissed simply because it failed to comply with orders of the district court. On the contrary, Recora should

have been more sensitive than repeatedly to delay an old case.

In addition to the comments interspersed among Recora's above arguments, only a few remarks are necessary. "The trial judge, having dealt with the parties and issue[] in this suit [over a period of years,] has had the best opportunity to assess the need for the desired discovery and the degree of compliance. His findings are binding on us unless clearly erroneous." Loctite Corp. v. Fel-Pro, Inc., 667 F.2d 577, 582 (7th Cir. 1981) (citations omitted). "The trial judge must have considerable latitude to make the sanctions serve their function as both specific and general deterrents." Charter House Ins. Brokers, Ltd. v. New Hampshire Ins. Co., 667 F.2d 600, 605 (7th Cir. 1981). See also Hindmon v. National-Ben Franklin Life Ins. Corp., Nos. 80-2733 & 81-1367, slip op. at 5-8 (7th Cir. May 12, 1982). Ellingsworth v. Chrysler, 665 F.2d 180, 185 (7th Cir. 1981), cited by Recora at oral argument, is distinguishable from

this case because it involved an honest mistake regarding when a trial was scheduled to begin. Recora cannot claim that it made good faith mistakes in the face of the district court's repeated admonitions. Indeed Recora's bad faith is evidenced by its dishonesty before the district court.

Dismissal is a harsh sanction, but Recora's unexcused and repeated failure to comply with two orders of the district court regarding discovery and the draft pre-trial order make that sanction appropriate.

Judgment affirmed.

WALTER J. CUMMINGS

JESSE E. ESCHBACH

DUDLEY B. BONSAL*

Circuit Judges

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* The Honorable Dudley B. Bonsal, Senior District Judge of the United States District Court for the Southern District of New York, is sitting by designation.

IN THE UNITED STATES COURT OF APPEALS
FOR THE SEVENTH CIRCUIT

TAPESWITCH CORPORATION OF AMERICA,
Plaintiff, v.
RECORA CO., INC., Defendant

No. 81-2020

ORDER

Dated: June 21, 1982

O R D E R

On consideration of the petition for rehearing and suggestion for rehearing en banc filed in the above-entitled cause by defendant-appellant Recora Company, Inc., no judge in active service has requested a vote thereon, and all of the judges on the original panel have voted to deny a rehearing. Accordingly,

IT IS ORDERED that the aforesaid petition for rehearing be, and the same is hereby, DENIED.

WALTER J. CUMMINGS

JESSE E. ESCHBACH

DUDLEY B. BONSAL*

Circuit Judges

* The Honorable Dudley B. Bonsal, Senior District Judge of the Southern District of New York, is sitting by designation.

RULE 6, Federal Rules of Civil Procedure

(d) FOR MOTIONS—AFFIDAVITS. A written motion, other than one which may be heard *ex parte*, and notice of the hearing thereof shall be served not later than 5 days before the time specified for the hearing, unless a different period is fixed by these rules or by order of the court. Such an order may for cause shown be made on *ex parte* application. When a motion is supported by affidavit, the affidavit shall be served with the motion; and, except as otherwise provided in Rule 59(c), opposing affidavits may be served not later than 1 day before the hearing, unless the court permits them to be served at some other time.

Pre-Trial Procedure; Formulating Issues

Rule 16. Pre-Trial Procedure; Formulating Issues. In any action, the court may in its discretion direct the attorneys for the parties to appear before it for a conference to consider

(1) The simplification of the issues;

(2) The necessity or desirability of amendments to the pleadings;

(3) The possibility of obtaining admissions of fact and of documents which will avoid unnecessary proof;

(4) The limitation of the number of expert witnesses;

(5) The advisability of a preliminary reference of issues to a master for findings to be used as evidence when the trial is to be by jury;

(6) Such other matters as may aid in the disposition of the action.

The court shall make an order which recites the action taken at the conference, the amendments allowed to the pleadings, and the agreements made by the parties as to any of the matters considered, and which limits the issues for trial to those not disposed of by admissions or agreements of counsel; and such order when entered controls the subsequent course of the action, unless modified at the trial to prevent manifest injustice. The court in its discretion may establish by rule a pre-trial calendar on which actions may be placed for consideration as above provided and may either confine the calendar to jury actions or to non-jury actions or extend it to all actions.

Rule 37. Failure to Make Discovery: Consequences

(a) MOTION FOR ORDER COMPELLING DISCOVERY. A party, upon reasonable notice to other parties and all persons affected thereby, may apply for an order compelling discovery as follows:

(1) APPROPRIATE COURT. An application for an order to a party may be made to the court in which the action is pending, or, on matters relating to a deposition, to the court in the district where the deposition is being taken. An application for an order to a deponent who is not a party shall be made to the court in the district where the deposition is being taken.

(2) MOTION. If a deponent fails to answer a question propounded or submitted under Rules 30 or 31, or a corporation or other entity fails to make a designation under Rule 30(b)(6) or 31(a), or a party fails to answer an interrogatory submitted under Rule 33, or if a party, in response to a request for inspection submitted under Rule 34, fails to respond that inspection will be permitted as requested or fails to permit inspection as requested, the discovering party may move for an order compelling an answer, or a designation, or an order compelling inspection in accordance with the request. When taking a deposition on oral examination, the proponent of the question may complete or adjourn the examination before he applies for an order.

If the court denies the motion in whole or in part, it may make such protective order as it would have been empowered to make on a motion made pursuant to Rule 26(c).

(3) EVASIVE OR INCOMPLETE ANSWER. For purposes of this subdivision an evasive or incomplete answer is to be treated as a failure to answer.

(4) AWARD OF EXPENSES OF MOTION. If the motion is granted, the court shall, after opportunity for hearing, require the party or deponent whose conduct necessitated the motion or the party or attorney advising such conduct or both of them to pay to the moving party the reasonable expenses incurred in obtaining the order, including attorney's fees, unless the court finds that the opposition to the motion was substantially justified or that other circumstances make an award of expenses unjust.

If the motion is denied, the court shall, after opportunity for hearing, require the moving party or the attorney advising the motion or both of them to pay to the party or deponent who opposed the motion the reasonable expenses incurred in opposing the motion, including attorney's fees, unless the court finds that the making of the motion was substantially justified or that other circumstances make an award of expenses unjust.

If the motion is granted in part and denied in part, the court may apportion the reasonable expenses incurred in relation to the motion among the parties and persons in a just manner.

(b) FAILURE TO COMPLY WITH ORDER.

(1) SANCTIONS BY COURT IN DISTRICT WHERE DEPOSITION IS TAKEN. If a deponent fails to be sworn or to answer a question after being directed to do so by the court in the district in which the deposition is being taken, the failure may be considered a contempt of that court.

(2) SANCTIONS BY COURT IN WHICH ACTION IS PENDING. If a party or an officer, director, or managing agent of a party or a person designated under Rule 30(b)(6) or

31(a) to testify on behalf of a party fails to obey an order to provide or permit discovery, including an order made under subdivision (a) of this rule or Rule 35, the court in which the action is pending may make such orders in regard to the failure as are just, and among others the following:

(A) An order that the matters regarding which the order was made or any other designated facts shall be taken to be established for the purposes of the action in accordance with the claim of the party obtaining the order;

(B) An order refusing to allow the disobedient party to support or oppose designated claims or defenses, or prohibiting him from introducing designated matters in evidence;

(C) An order striking out pleadings or parts thereof, or staying further proceedings until the order is obeyed, or dismissing the action or proceeding or any part thereof, or rendering a judgment by default against the disobedient party;

(D) In lieu of any of the foregoing orders or in addition thereto, an order treating as a contempt of court the failure to obey any orders except an order to submit to a physical or mental examination;

(E) Where a party has failed to comply with an order under Rule 35(a) requiring him to produce another for examination, such orders as are listed in paragraphs (A), (B), and (C) of this subdivision, unless the party failing to comply shows that he is unable to produce such person for examination.

In lieu of any of the foregoing orders or in addition thereto, the court shall require the party failing to obey the order or the attorney advising him or both to pay the reasonable expenses, including attorney's fees, caused by the failure, unless the court finds that the failure was

substantially justified or that other circumstances make an award of expenses unjust.

(c) EXPENSES ON FAILURE TO ADMIT. If a party fails to admit the genuineness of any document or the truth of any matter as requested under Rule 36, and if the party requesting the admissions thereafter proves the genuineness of the document or the truth of the matter, he may apply to the court for an order requiring the other party to pay him the reasonable expenses incurred in making that proof, including reasonable attorney's fees. The court shall make the order unless it finds that (1) the request was held objectionable pursuant to Rule 36(a), or (2) the admission sought was of no substantial importance, or (3) the party failing to admit had reasonable ground to believe that he might prevail on the matter, or (4) there was other good reason for the failure to admit.

(d) FAILURE OF PARTY TO ATTEND AT OWN DEPOSITION OR SERVE ANSWERS TO INTERROGATORIES OR RESPOND TO REQUEST FOR INSPECTION. If a party or an officer, director, or managing agent of a party or a person designated under Rule 30(b)(6) or 31(a) to testify on behalf of a party fails (1) to appear before the officer who is to take his deposition, after being served with a proper notice, or (2) to serve answers or objections to interrogatories submitted under Rule 33, after proper service of the interrogatories, or (3) to serve a written response to a request for inspection submitted under Rule 34, after proper service of the request, the court in which the action is pending on motion may make such orders in regard to the failure as are just, and among others it may take any action authorized under paragraphs (A), (B), and (C) of subdivision (b)(2) of this rule. In lieu of any order or in addition thereto, the court shall require the party failing to act or the attorney advising him or both to pay the reasonable expenses, including attorney's fees, caused by the failure, unless the court

finds that the failure was substantially justified or that other circumstances make an award of expenses unjust.

The failure to act described in this subdivision may not be excused on the ground that the discovery sought is objectionable unless the party failing to act has applied for a protective order as provided by Rule 26(c).

(e) SUBPOENA OF PERSON IN FOREIGN COUNTRY. A subpoena may be issued as provided in Title 28 U. S. C. § 1783, under the circumstances and conditions therein stated.

(f) EXPENSES AGAINST UNITED STATES. Except to the extent permitted by statute, expenses and fees may not be awarded against the United States under this rule.

Rule 41(b)

(b) INVOLUNTARY DISMISSALS: EFFECT THEREOF. For failure of the plaintiff to prosecute or to comply with these rules or any order of court, a defendant may move for dismissal of an action or of any claim against him. After the plaintiff, in an action tried by the court without a jury, has completed the presentation of his evidence, the defendant, without waiving his right to offer evidence in the event the motion is not granted, may move for a dismissal on the ground that upon the facts and the law the plaintiff has shown no right to relief. The court as trier of the facts may then determine them and render judgment against the plaintiff or may decline to render any judgment until the close of all the evidence. If the court renders judgment on the merits against the plaintiff, the court shall make findings as provided in Rule 52(a). Unless the court in its order for dismissal otherwise specifies, a dismissal under this subdivision and any dismissal not provided for in this rule, other than a dismissal for lack of jurisdiction, for improper venue, or for failure to join a party under Rule 19, operates as an adjudication upon the merits.